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**Balancing Prudential Regulation and Competition Considerations in Banking – Note by
Brazil**

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1. Introduction

1. This article presents the institutions responsible for regulating the national financial system and how prudential regulation is conducted. Brazil is a signatory to the main treaties in this area and has adapted its domestic policy to be consistent with them. Thereafter, it describes the cooperation between the Central Bank of Brazil (BCB), an institution responsible for guaranteeing the stability and solvency of the financial system, and the Administrative Council for Economic Defense (CADE), the Brazilian antitrust authority. Finally, the authors present merger reviews by both authorities, followed by the conclusions.

2. Brazilian Financial System

2. In Brazil, the National Financial System (SFN) is overseen by the National Monetary Council (CMN), by the Central Bank of Brazil (BCB) and the Securities and Exchange Commission (CVM), to guarantee the efficiency of resource intermediation and promote financial stability.

3. The CMN is a normative body responsible for formulating monetary and credit policies, that is, coordinating the federal government's macroeconomic policy. The attributions of the Council include issuing decisions on exchange rate's guidelines, inflation targets, as well as key rules for the operation of financial institutions, among others.¹ The Central Bank of Brazil and the Securities and Exchange Commission supervise, regulate, and control both the Brazilian financial system and the securities market, respectively.

4. The BCB, particularly, monitors and supervises the financial system and carries out monetary, exchange rate, and credit policies.² So, it is the BCB's responsibility to ensure the solvency of each financial institution, individually. To this end, it applies rules that define conditions for entry into the financial market and for the exercise of banking activities³, that is, the entity is responsible for the prudential regulation in Brazil.

5. Brazil is a signatory to the three Basel Accords (1988, 2004, and 2010), and its prudential regulation follows the principles established by them. The country imposed

¹ The CNM is composed of the Minister of Finance (President of the Council), the Minister of Planning and Budget, and the President of the Central Bank of Brazil.

² Central Bank of Brazil (BCB). National Financial System (SFN) Available at: <https://www.bcb.gov.br/en/financialstability/nationalfinancialsystem> Retrieved on: 17 September 2025.

³ Conselho Administrativo de Defesa Econômica (Cade). Cadernos do CADE: Mercados de bancos e seguradoras. November 2023. Available at: <https://cdn.cade.gov.br/Portal/centrais-de-conteudo/publicacoes/estudos-economicos/cadernos-do-cade/Caderno%20Bancos%20e%20Seguradoras%20nov%202023.pdf> Retrieved on: 17 September 2025.

minimum capital requirements, in accordance with the Basel I Accord, also following the recommendations of the Basel II Accord, revised the criteria for calculating the capital requirements, encouraged supervised entities to apply best practices in risk management, and stimulated market discipline through the widespread disclosure of information related to the risks taken by institutions⁴. In 2013, it began implementing the measures of the Basel III Accord to internationally harmonise the definition of capital and increase transparency regarding its composition⁵.

6. In addition, in order to better assess the risks of institutions belonging to the same group, in line with the 2010 Agreement (Basel III Accord), Brazil began to use the concept of prudential conglomerates, requiring institutions belonging to the same group to submit aggregate accounting and financial information (BCB, Resolution no. 4195/2013). In 2022, the conglomerates were segmented into three types so that prudential regulation is applied proportionally (BCB, Resolution no. 197/2022).

7. The same standard classifies institutions authorized to operate through the BCB and conglomerates into five segments according to size and international relevance. The smaller the institution, the simpler the rules that apply to it. According to the BCB, adjusting the complexity of the rules to the institution's risk profile ensures greater efficiency, reduces costs, and fosters competition in the financial market⁶. On the one hand, the prudential regulation contributes to the consolidation of each institution and the financial system as a whole, preventing individual failures from generating losses for society; on the other hand, the segmentation, as well as the classification of institutions and conglomerates, is based on the recognition that it may impact competition. Thus, the regulations are set by the type of institution and segment.

8. Therefore, only larger banks must follow the rules fully aligned with the Basel Accords. These institutions included in the S1 segment must follow international regulations since they are the only ones that carry out activities in which they compete with international banks. As for the institutions categorized into the S5 segment, they have lower risk, and consequently, follow simpler rules, counterbalanced by higher minimum capital requirements⁷.

3. BCB and CADE: The relation between prudential regulation and competition defence

9. The Article 10, Item X, Subitem “c” of Law 4595/1964 establishes that the BCB has exclusive authority to grant authorisation to financial institutions to be transformed, merged, incorporated, or taken over. In parallel, Law 12529/2011 sets forth that the Administrative Council for Economic Defense (CADE) is responsible for investigating

⁴ Banco Central do Brasil (BCB). *Recomendações e Basileia*. Available at: <https://www.bcb.gov.br/estabilidadefinanceira/recomendacoesbasileia> Retrieved on: 16 September 2025

⁵ Banco Central do Brasil (BCB). *Perguntas e Respostas sobre a Implantação de Basileia III no Brasil*. Available at: https://www.bcb.gov.br/content/estabilidadefinanceira/estabilidade_docs/perguntas_e_respostas_basileia_III.pdf Retrieved on: 16 September 2025.

⁶ Banco Central do Brasil (BCB). *Regulação Prudencial*. Available at: <https://www.bcb.gov.br/estabilidadefinanceira/regprudencialsegmentacao> Retrieved on: 16 September 2025.

⁷ Banco Central do Brasil (BCB). *Perguntas frequentes sobre regulação prudencial*. Available at: https://www.bcb.gov.br/estabilidadefinanceira/faq_regulacao Retrieved on: 16 September 2025.

anticompetitive practices and reviewing mergers that fall within its parameters. There are no legal provisions to exclude any sector from the scope of the agency's activities. Previously, Law 8884/1994 also provided for CADE's jurisdiction over the analysis of mergers in all sectors of the economy.

10. In 2001, Law 8884/1994 was still in force establishing that merger reviews should occur after the consummation of the transaction. In this context, when analysing the case no. 08012. 002381/2001-23, regarding the acquisition by the BCN of 50% of the capital share of the BCN Alliance Capital Management S.A., CADE's jurisdiction was questioned regarding the analysis of mergers of institutions operating in the National Financial System. The question was based on an expert opinion of the Office of the General Counsel for the Brazilian Federal Government (AGU), which argued the sole responsibility of the Brazilian Central Bank for the matter, based on Law 4595/1964, which provides for policy and for the monetary, banking, and credit institutions, and establishes the National Monetary Council (CMN). Then, a long dispute began in the Brazilian Judiciary branch to resolve the issue. Meanwhile, mergers among entities in the financial sector were still submitted to both the analyses of the BCB and CADE.

11. In 2018, before a final decision by the Judiciary branch, CADE and the BCB signed an agreement under a Memorandum of Understanding⁸. The document established the powers of each local authority and the procedures to be followed in their interaction in cases of mergers and antitrust violations within the National Financial System. The agencies agreed to have concurrent jurisdictions, and interested parties would be required to submit merger filings to both CADE and the BCB.

12. Therefore, clearance of mergers involving financial institutions depends on a positive response from both agencies. However, their decisions will not necessarily be similar. For example, a merger unconditionally cleared by the BCB may be cleared with restrictions by CADE. Also, the transaction analysed may be approved by one authority and blocked by the other. Only in rare cases of mergers in which blockage could harm the soundness and stability of the National Financial System (SFN), the BCB will report the case to CADE, so that both agencies can approve the merger. As for typical cases, the transaction will only be approved with the consent of both authorities. In investigations of antitrust violations involving financial institutions, CADE shall inform the BCB in order to gather information on the market and the entities regulated by it.

13. In the scope of the BCB, the Newsletter no. 3590/2012 sets forth merger reviews. All mergers involving financial institutions, directly or indirectly, must be submitted to the BCB. The BCB's procedures for merger reviews are very similar to those adopted by CADE. According to the 2012 Guide for Horizontal Merger Review, regarding financial institutions and other entities authorised to operate by the BCB,⁹ the bank's merger review comprises the following steps: definition of the relevant market; definition of market shares controlled by the participating institutions; analysis of the probability of abuse of market power; analysis of any economic efficiencies that may be generated by the merger; and

⁸ Conselho Administrativo de Defesa Econômica (Cade) and Banco Central do Brasil (BCB). Memorando de entendimentos 2018. Available at: https://www.bcb.gov.br/content/estabilidade financeira/Organizacao/memorando_cade_bc_28022018.pdf Retrieved on: 16 September 2025.

⁹ Banco Central do Brasil (BCB). News Release no. 22366 (27 April 2012). Divulga o Guia para Análise de Atos de Concentração envolvendo instituições financeiras e demais instituições autorizadas a funcionar pelo Banco Central do Brasil. Available at: https://www.bcb.gov.br/content/estabilidade financeira/Organizacao/Guia_analise_acordo_concentracao_COMUNICADO22366.pdf Retrieved on: 16 September 2025.

assessment of the cost and benefit ratio of the transaction. From 2002 to December 2024, the BCB reviewed 127 “proceedings related to cases considered capable of making deep changes in the participation of financial institutions or other organisations authorised by the BCB to operate in specific market segments”¹⁰.

14. CADE reported in a recent study on banking and insurance markets that, from 1995 to April 2023, 343 mergers involving these types of institutions were investigated, out of which, at least 50% involved banking services. All transactions were approved and six of them were conditionally cleared. During the same period, three investigations were closed after the parties signed cease and desist agreements with CADE in which they committed to refrain from engaging in the alleged practices. The cases involved investigations of cartels in the currency market and exclusivity agreements of payroll loan.¹¹

15. The regulation of the financial system impacts merger reviews and investigations of anticompetitive practices conducted by CADE. Over the years, the authority has reiterated the understanding that the regulatory requirements of the financial system represent a significant barrier to entry into this market. In addition, it recognises the need for economies of scale as a barrier to entry, given that prudential regulation requires institutions to maintain minimum levels of capital and equity to cover unexpected losses. As aforementioned, these requirements are greater for larger financial institutions.

16. In the financial sector, there is a particular concern about any perception of instability or lack of participation of consumers, at the risk of triggering a bank run. The redemption of several customers at the same time can cause financial difficulties for the bank, since, as a result of financial intermediation, deposits in securities exceed currency reserves (collateral).

17. The loss of trust can occur regardless of the bank's actual financial situation and, in a contagion effect, spread to other institutions. To address this systemic effect, several regulations have been created, including the Basel Accord, which requires all banks to hold capital. The 2010 Basel Accord established limits for leverage and requirements of transparency of banks' capital base. Moreover, the criteria on demand and quality of equity capital ownership were increased.

18. In addition to these regulations, there are other BCB rules, such as mandatory allocation of funds and operating authorisation. Therefore, such legal and regulatory requirements set a minimum capital and regulations that may hinder the entry of new players in the sector. (Vote of the Rapporteur Paulo Burnier da Silveira: Case no. 08700.001642/2017-05. Applicants: Itaú Unibanco S.A. and Banco Citibank S.A.)¹²

19. On the other hand, CADE recognises the potential of regulatory measures to increase the competition level in financial markets. In 2017, in Case no. 08700.001642/2017-05 (Applicants: Itaú Unibanco S.A. and Banco Citibank S.A.), the

¹⁰ Banco Central do Brasil (BCB). Atuação do Banco Central do Brasil na defesa da concorrência entre instituições financeiras. Available at <https://www.bcb.gov.br/noticiablogbc/37/noticia> Retrieved on: 15 September 2025.

¹¹ Conselho Administrativo de Defesa Econômica (Cade). Cadernos do CADE: Mercados de bancos e seguradoras. November 2023. Available at: <https://cdn.cade.gov.br/Portal/centrais-de-conteudo/publicacoes/estudos-economicos/cadernos-do-cade/Caderno%20Bancos%20e%20Seguradoras%20nov%202023.pdf>. Retrieved on: 17 September 2025.

¹² The acquisition of the retail businesses focused on individuals and small companies, conducted by *Citibank* N.A. and other *Citibank* Group institutions by the *Itaú Unibanco* Group.

Office of the Superintendent General at CADE (SG) highlighted that the BCB, based on Resolutions 3401/2006, 3402/2006, and 4292/2013, had established procedures for the portability of certain banking products, such as: salary account, credit, and registration portability. The aim of portability, especially regarding credit, is to foster competition among banks and to benefit consumers who would be able to start negotiating lower interest rates and more favourable terms.

20. However, the SG highlighted that, at that moment, the effects were subtle and there were still high switching costs for consumers, partly due to difficulties imposed by banks. The Tribunal of CADE conditionally cleared the transaction in the final decision. The agreement signed with the companies provided for increased public disclosure on the possibility of portability and applicable rules. To this end, Itaú Unibanco would create a “Portability Page” to show information on credit and salary portability, as well as information on positive credit records, and links to comparisons of rates and fees.

21. A year earlier, in the HSBC Bank Brasil and Banco Bradesco case, also conditionally approved, CADE had already signed an agreement with Bradesco, in which the bank committed to send mail to customers in 106 municipalities where high levels of concentration were found after the transaction, containing all the information necessary to exercise portability. In addition, it committed to exempt smaller banks, to which customers may eventually migrate, from the origination cost, a fee provided for in the BCB's regulations for portability transactions by individuals. Finally, information campaigns on portability would be increased on the bank's website and at bank branches.

22. In both cases, CADE recognised the regulation’s potential to improve competition and adopted measures that could contribute to increase efficiency of these rules, while expanding consumers’ access to information.

4. Innovations in the financial sector and competition

23. The Brazilian Financial System has been reshaped through some recent innovations. In the last few years, fintechs’ operations have increased significantly, as now they use online platforms to provide innovative digital services related to the sector. Since 2018, credit fintech operations have been authorised and regulated by the BCB and the provisions of Resolutions 4656 (updated from Resolution 5050/2022) and 4657 from CMN.¹³

24. Another innovation was the creation of *PIX*, payment method created by the Brazilian Central Bank, through which funds are transferred between accounts in a few seconds, 24/7, from checking, savings, or prepaid payment accounts. It is a public structure open to all financial institutions operating in the country. These innovations increased the population's access to banking services, reduced costs, and enabled the offering of new products to consumers, creating benefits for the competitive environment. Simultaneously, they were subject to regulation to ensure that such innovations were introduced into the market safely, while keeping the stability of the financial system in the country.

25. Also, there are several ongoing innovations in the financial sector, such as the Crédito do Trabalhador programme, which enables credit access for approximately 50 million Brazilians. Another example is the regulatory framework for financial market infrastructures; a project already approved by the Brazilian Chamber of Deputies and

¹³ Banco Central do Brasil (BCB). Fintechs. Available in Portuguese at: <https://www.bcb.gov.br/estabilidadefinanceira/fintechs> Retrieved on: 15 September 2025.

currently being analysed by the Senate. The framework is aligned with the Principles for Financial Market Infrastructures (PFMI/BIS), placing competition as an explicit focus of these infrastructure policies.

5. Examples of mergers reviewed by CADE and the BCB

26. Although they adopt similar analysis methodologies, the decisions of CADE and the BCB may vary: in some cases, they converge and reinforce the positions of the institutions, while in others, the decisions differ, given the public policy objectives of each institution. See the examples below:

5.1. Acquisition of *XP Investimentos* by Itaú Unibanco (Case no. 08700.004431/2017-16)

27. Itaú Unibanco is one of the biggest bank conglomerates, while XP is an open investment company, one of the first in the Brazilian segment. Its growth has to do with the operation of closed platforms, generally, by large financial institutions.

28. The rapporteur commissioner of the case at CADE considered that the company was a maverick in the brokerage and investment product distribution markets, indicating a causal link between the transaction and the eventual growing possibility of abuse of market power in these segments. In addition, he pointed out some concerns over the vertical integration between banks and brokerage firms: a) slowdown of competitive pressure exerted by XP; b) requirement of exclusivity clauses by XP with investment product providers, hindering the access to inputs by other open platforms; c) requirement of exclusivity clauses by XP with financial advisors (AAIs), hindering the access to the distribution network by other platforms; d) XP's discrimination against Itaú's competitors in the supply of investment products, closing the upstream market; e) Itaú's discrimination of open platforms distributing investment products that compete with XP; and f) Itaú's practice of directing its customers to XP, thereby strengthening the company's dominant position.

29. CADE conditionally cleared the transaction upon an agreement through which Itaú's influence over XP's commercial decisions was limited. Itaú committed to adopt practices regarding its commercial partners (issuers and managers) and financial advisors (AAIs) that facilitate its competitors' access to the resources needed for the operations.

30. The BCB defined two relevant product markets in securities brokerage (the stock market and the commodities and futures market) and four markets in the distribution of investment products (private bank and non-bank securities, stocks, box, and real estate investment funds, among others).

31. According to the BCB's analysis, after the transaction, Itaú would have become the leader in brokerage, but the market was highly fragmented at the time. The transaction could have a considerable impact in terms of investment distribution, since the market share of Itaú Unibanco could reach 32.5%. In addition, XP had established relations with the majority of the financial advisors, which amplified potential negative effects.

32. Despite them, the BCB approved the transaction subject to compensatory measures to ensure, above all, that the bank's investment in the brokerage firm would carry limited political rights. For instance, the prohibition of nominations of *XP Investimentos'* executives, either in the financial sector or business sectors by Itaú, as well as the prohibition of interference in *XP Investimentos* and *XP Corretora's* decisions by Itaú, both

for 15 years. The signing of exclusivity agreements between XP and financial advisors was also forbidden¹⁴.

33. Even with differences in certain definitions, such as the relevant markets involved, the conclusions of the two entities were similar. The decisions mutually reinforce each other.

5.2. Acquisition of *Banco Master* by *Banco de Brasília* (Case no. 08700.004179/2025-55)

34. *Banco de Brasília* (BRB), a bank established as a publicly traded mixed-capital company, notified CADE and the BCB of the intent to acquire 58.04% of the share capital of *Banco Master* S.A., a private financial institution. CADE analysed the transaction under a summary procedure, as the parties' combined shares in the market they both operate was lower than 20% and, in vertically integrated markets, it was lower than 30%. Thus, the authority unconditionally cleared the transaction.

35. The BCB vetoed the transaction. Although the documents were restricted, some press releases indicate that the main motivation for the ban was the risk of contamination of BRB by Master's high-risk assets, known as risks of the succession, due to the bank's highly leveraged asset portfolio and risk exposure. The BCB feared that BRB was not prepared to manage these assets soundly with adequate management and compliance structures. The veto by the BCB also signalled the risk to the financial system, as Master had liquidity problems and offered returns above average, which could result in a significant amount of debt to be afforded by the FGC¹⁵.¹⁶ The divergence in the decisions of the agencies did not derive from differences in competitive analyses, but from the assessment of the BCB that also considers prudential aspects in the transactions.

6. Final Considerations

36. In Brazil, the Central Bank has the term to intervene in competition, even though it is not a part of the Brazilian Competition Defense System. Despite some past disagreements over the scope of each authority's jurisdiction, CADE and the BCB have currently cooperated through the exchange of information, which results in more comprehensive analyses. Their competitiveness diagnostics usually converge, and the BCB establishes prudential rules to minimise the impacts on the Brazilian competition.

¹⁴Central Bank of Brazil (BCB). Itaú Unibanco/XP Investimentos Merger Available at: https://www.bcb.gov.br/conteudo/relatorioinflacao/EstudosEspeciais/EE047_Ato_de_concentraca_o_Itau_Unibanco_XP_Investimentos.pdf

¹⁵ The FGC (*Fundo Garantidor de Créditos*) is a private, non-profit entity that provides insurance for investors and account holders in Brazil. It protects depositors' funds against bankruptcy or wrongful interventions by banks and other financial institutions. The entity is financed by the associated financial institutions themselves.

¹⁶ O Globo. Para analistas, BC vetou venda do Master para evitar sinalização ruim e envolvimento de empresa pública. 04 September 2025. Available in Portuguese at: <https://oglobo.globo.com/economia/noticia/2025/09/04/para-analistas-bc-vetou-venda-do-master-para-evitar-sinalizacao-ruim-e-envolvimento-de-empresa-publica.ghtml> Retrieved on: 16 September 2025.

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ADMINISTRATIVE COUNCIL FOR ECONOMIC DEFENSE (CADE). Cadernos do CADE: Mercados de bancos e seguradoras. November 2023. Available at: <https://cdn.cade.gov.br/Portal/centrais-de-conteudo/publicacoes/estudos-economicos/cadernos-do-cade/Caderno%20Bancos%20e%20Seguradoras%20nov%202023.pdf> Retrieved on: 17 September 2025.

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SRE

This contribution provides an overview of key initiatives undertaken by the Secretariat for Economic Reforms (SRE) of the Ministry of Finance to promote and safeguard competition, emphasizing measures that balance economic efficiency, financial inclusion, and systemic stability. It examines three legislative reform proposals led by the SRE: expanding access to payroll-deducted credit for formal workers (Section 2); establishing a modern legal framework for financial market infrastructures that empowers supervisory authorities to promote competition (Section 3); and updating the insurance framework (Section 5). In addition, it presents the results of an innovative competition advocacy initiative related to social security benefit payments (Section 4).

1. Introduction¹⁷

37. Well-regulated financial markets are essential for economic resilience and sustainable growth. Prudential and conduct regulation play a central role in maintaining financial stability. Balancing market soundness and solvency with competition promotion – by enabling the entry of new participants – requires careful regulatory design.

38. The Brazilian financial system remains highly concentrated across multiple segments.

Policies designed to lower barriers to entry for new participants in the competitive landscape are essential to foster efficiency and productivity gains, broaden consumer access, and deepen financial inclusion, thereby contributing to greater economic welfare and market dynamism.

39. However, these goals must not compromise systemic stability or consumer protection. Changes in the competitive landscape may incentivize riskier behavior, leading to losses that offset efficiency gains. Sound market conduct practices in the relationship between financial institutions and their clients are essential to ensure adequate prudential conditions, particularly in highly competitive environments where profit margins tend to narrow. In the credit market, expanding the range of credit offerings must not undermine transparency or suitability standards. Poor credit origination practices can lead to over-indebtedness and high default rates, ultimately threatening the stability of the financial system. Therefore, the interaction between prudential and competition frameworks is a key aspect of financial regulation, demanding a comprehensive approach to identify trade-offs and complementarities.

40. Beyond its competition advocacy mandate, the Secretariat for Economic Reforms (SRE) of the Ministry of Finance is responsible for evaluating and proposing measures to advance the capital markets, supports the formulation and implementation of microeconomic and regulatory reforms, and promotes the development of financial, credit, guarantee, and capital market sectors. This report provides an overview of the key initiatives undertaken by the SRE to promote and safeguard competition, highlighting measures designed to balance economic efficiency, financial inclusion, and systemic stability. It focuses on three legislative reform proposals led by the Secretariat (Sections 2, 3, and 5) and one competition advocacy initiative (Section 4).

¹⁷ This contribution was written by: Fernanda Garcia Machado, Fernando Ceschin Rieche, Ires Pimenta Gontijo, João Paulo Resende Borges, Jorge Henrique de Saules Nogueira, Juliana Livia Antunes da Rocha, Mariana Arozo Benício de Melo, Rosana Pinho Galiza, Sarah Moreira Lordelo, Tainá Leandro and Vinicius Rattón Brandi.

41. Section 2 discusses the Worker Credit Program, implemented in 2025, which expanded access to payroll-deducted loans for formal employees. The program introduced a public digital platform for loan offers, improving transparency and comparability of interest rates while reducing entry costs for smaller employers and financial institutions.

42. Section 3 presents the Draft Bill No. 2,926 of 2023, which establishes a legal framework for financial market infrastructures, modernizing the regulation of institutions operating within Brazil's Payment System and empowering supervisory authorities with better tools to promote competition in a highly concentrated segment. The proposal aligns prudential safeguards with international best practices under the *Principles for Financial Market Infrastructures (PFMI)*, aiming to enhance market efficiency through competitive dynamics.

43. Section 4 illustrates SRE's competition advocacy efforts through a study conducted under the Regulatory and Competition Assessment Procedure (PARC). The assessment examines potential anticompetitive effects excluding non-bank and digital-only financial institutions from public tenders for social benefit payment contracts, which may restrict fintech entry and limit the portability of benefits.

44. Section 5 analyzes the new insurance regulatory framework, implemented in 2025, which broadened the scope of cooperatives and regulated mutual protection mechanisms.

45. Finally, Section 6 presents SRE's conclusions and recommendations, emphasizing the integration of competition principles into public policy to maximize economic and social benefits for citizens.

2. Worker Credit Program – Law No. 15,179 of July 24, 2025

46. Payroll-deducted loans for private-sector employees (“private payroll credit”), established in Brazil by Law No. 10,820 of December 17, 2003, has become a cornerstone instrument for lowering borrowing costs, extending the average maturity of credit operations¹⁸, mitigating credit risk, and democratizing access to consumer financing. However, access remained limited to workers employed by firms with bilateral agreements with specific financial institutions, confining the product mainly to large and low-risk employers and a few banks.

47. To broaden access to any formal worker to obtain payroll-deducted credit, SRE/Ministry of Finance, in coordination with the Ministry of Labor and Employment and the Office of the Chief of Staff, proposed a legislative reform through Provisional Measure n° 1,292/2025, later converted into Law n° 15,179/2025. The program, called the Worker Credit Program, extended eligibility to rural workers, domestic employees, non-salaried directors entitled to FGTS,¹⁹ and employees of smaller firms.

¹⁸ IPEA. A Evolução do Crédito no Brasil entre 2003 e 2010 (Texto para Discussão 2022). January 2015. Available at: <https://repositorio.ipea.gov.br/server/api/core/bitstreams/4175157e-284e-4994-850f-e0b7e7916d34/content>

¹⁹ The FGTS (Guarantee Fund for Length of Service) is a mandatory savings scheme established in Brazil to protect workers dismissed without cause. Employers make monthly deposits equivalent to 8% of the employee's salary into an individual account managed by a public financial institution. The accumulated balance can be accessed under specific conditions, such as dismissal, retirement, or home purchase, serving both as a form of social protection and a source of long-term funding for public investment.

48. Its main innovation was the creation of a public, competitive digital platform integrated into the Digital Employment Record (CTPS Digital), now the largest credit marketplace in Brazil, with nearly 50 million eligible participants. Workers can request credit directly, and financial institutions submit offers ranked by ascending interest rates, improving transparency, comparability, and competition among lenders.

49. This reform represents a key regulatory initiative that strengthens the use of collateralized operations in the credit market, illustrating the complementarity between competition policy and financial stability objectives. By promoting the use of guarantees, the measure encourages responsible borrowing, facilitates lower interest rates, and contributes to reducing default and over-indebtedness, generating broader welfare gains.

50. A significant share of unsecured, high-cost loans is expected to migrate to this new segment, now available to a much wider population.

51. In its first months of operation, the program has already enhanced efficiency, safety, and transparency in credit market, fostered competition by lowering entry barriers for smaller institutions, and preserved financial stability through low-risk lending structures, the use of guarantees, and inter-institutional governance.

52. The Brazilian experience demonstrates that financial inclusion and technological innovation can advance in parallel with prudential soundness and banking resilience, offering a sustainable model for credit market development.

2.1. Expanding Competition while Preserving Financial Stability

53. Expanding competition in the financial system can strengthen stability when accompanied by appropriate prudential safeguards. The relationship between competition and stability is conditional: in systems with effective regulation, active supervision, and sound institutions, greater rivalry among banks enhances efficiency without undermining resilience²⁰. Conversely, in weaker institutional environments, intensified competition may heighten financial fragility.

54. Brazil maintains a robust prudential and supervisory framework, primarily grounded in Law No. 4,595 of December 31, 1964, which governs monetary, banking, and credit policies. This framework is complemented by regulations issued by the National Monetary Council (CMN) and the Central Bank of Brazil (BCB). Such institutional strength ensures consistent implementation of Basel III principles, reflected in detailed secondary regulation covering key areas such as capital adequacy, liquidity requirements, and risk management standards.

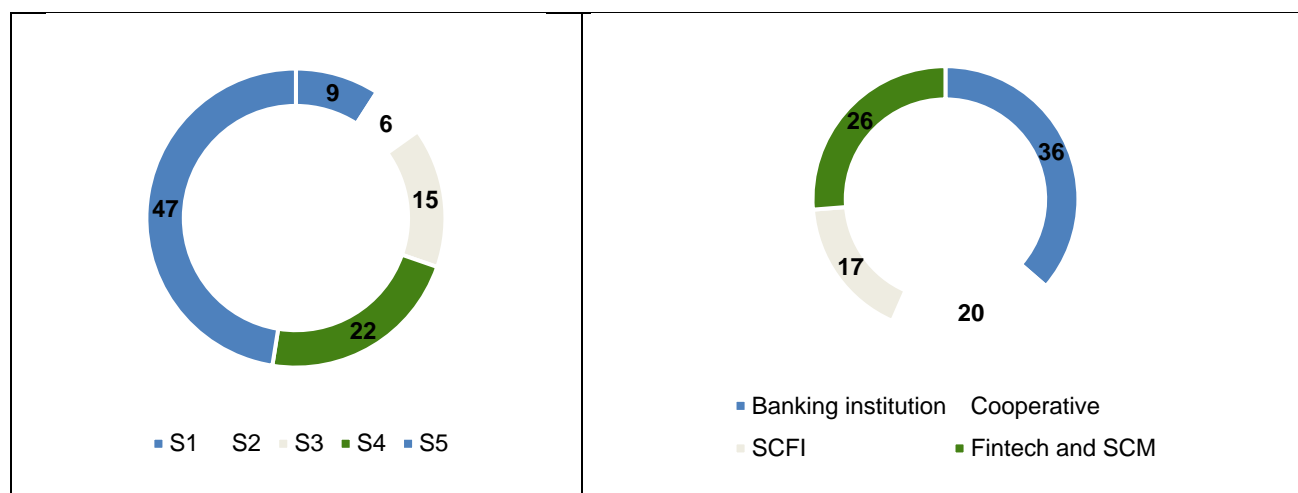
55. The Worker Credit Program introduced structural measures that broadened market competition, enabling a wide range of financial institutions to offer credit through the Digital Employment Record (CTPS Digital) and expanding the pool of eligible workers. As a result, the program already includes 99 accredited institutions.

56. Regarding the profile of participating lenders (Chart 1), there is significant representation of smaller institutions (S4 and S5 categories)²¹, as well as fintechs and cooperatives, demonstrating a diverse and competitive ecosystem within the program.

²⁰ Beck, T., Jonghe, O., Schepens, G (2011), Bank Competition and Stability: Reconciling Conflicting Empirical Evidence. Available at: https://www.bayes.citystgeorges.ac.uk/__data/assets/pdf_file/0019/41590/Schepens.pdf

²¹ In Brazil, financial institutions are classified by the Central Bank of Brazil (Banco Central do Brasil – BCB) under Resolution CMN No. 4,553/2017 into five prudential segments (S1 to S5),

Figure 1. Payroll Credit Institutions by Prudential Segment and Type of Institution



Note: SCFI – Credit, Finance and Investment Companies; Fintech – Direct Credit Societies and Peer-to-Peer Lending Companies; SCM – Microcredit Societies.

Source: Ministry of Labour and Employment (MTE) data cross-referenced with IF.Data/BCB.

57. The measure significantly expanded the pool of potential borrowers for payroll-deducted credit, approximately 4 million to nearly 50 million individuals. As of October 2025, data²² indicate that 9.4 million loans had been granted under the Program, with a total debt amounting to around BRL 42.8 billion (approximately USD 7.9 billion²³).

58. Another key driver of competition is credit portability. A more competitive banking environment tends to lower lending rates, improving consumer and business welfare.²⁴ Moreover, in competitive markets, monetary policy changes are transmitted more quickly and efficiently to retail interest rates, reinforcing that healthy competition enhances efficiency without jeopardizing stability.²⁵

59. Credit portability has proven to be an effective tool to stimulate banking competition and reduce borrowing costs. According to a Central Bank of Brazil (BCB) study on the evolution of credit portability in Brazil, with data from December 2020,

according to their size, complexity, and systemic relevance. Segment S1 comprises large, systemically important institutions with international operations, subject to the most rigorous prudential and risk management standards. Segment S2 includes institutions of significant size and complexity but with lower systemic impact than those in S1. Segment S3 consists of medium-sized institutions with regional or specialized operations, while Segment S4 covers smaller institutions with limited exposure and simpler business models. Finally, Segment S5 encompasses small financial and payment institutions with minimal systemic relevance, subject to simplified regulatory and supervisory requirements. This framework enables the Central Bank to apply the principle of proportionality, calibrating prudential and conduct rules to each institution's risk profile, business model, and systemic importance.

²² Source: Dataprev, the public company managing the program.

²³ Considering an exchange rate of 1 USD = 5.39 BRL, as of November 4, 2025.

²⁴ Van Leuvensteijn, M. et al. (2008), Impact of bank competition on the interest rate pass-through in the euro area, European Central Bank Working Paper Series No. 885, Frankfurt. Available at: <https://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp885.pdf>

²⁵ Ibidem.

portability improved borrower conditions, reducing average annual interest rates by 2.9 percentage points for real estate loans and 5.7 percentage points for payroll-deducted loans²⁶.

60. Further improvements are planned, allowing portability requests directly through the CTPS Digital platform, where a competitive auction system will invite multiple financial institutions to submit offers, increasing competition and enabling workers to obtain better credit terms.

61. Since the program's launch on March 21, 2025, both the outstanding balance and new disbursements of private payroll loans have risen sharply, reaching BRL 54.1 billion (USD 10 billion) and BRL 6.1 billion (USD 1.1 billion), respectively, in August 2025 – up from previously stable levels of around BRL 40 billion (USD 7.4 billion) and BRL 1.6 billion (USD 297 million), respectively.

Figure 2. Evolution of the Private Payroll Credit Portfolio and Disbursements (BRL billions)

Chart 2-A – Outstanding Balance

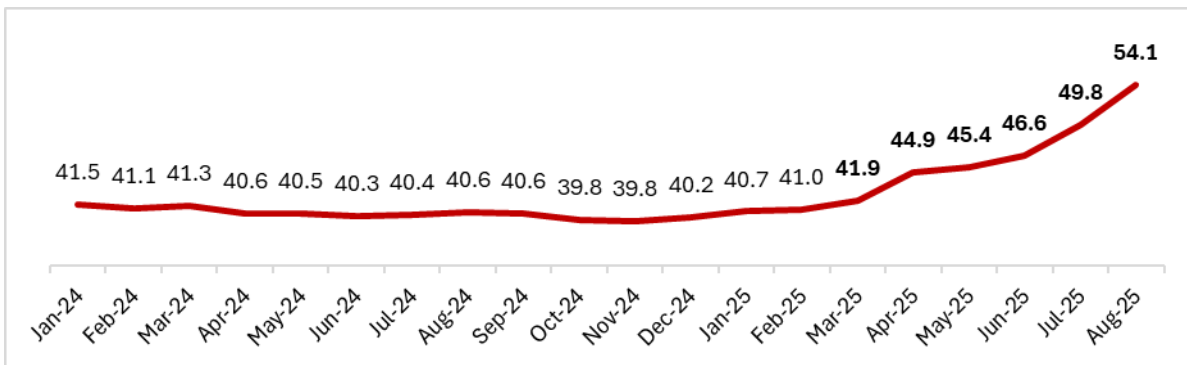
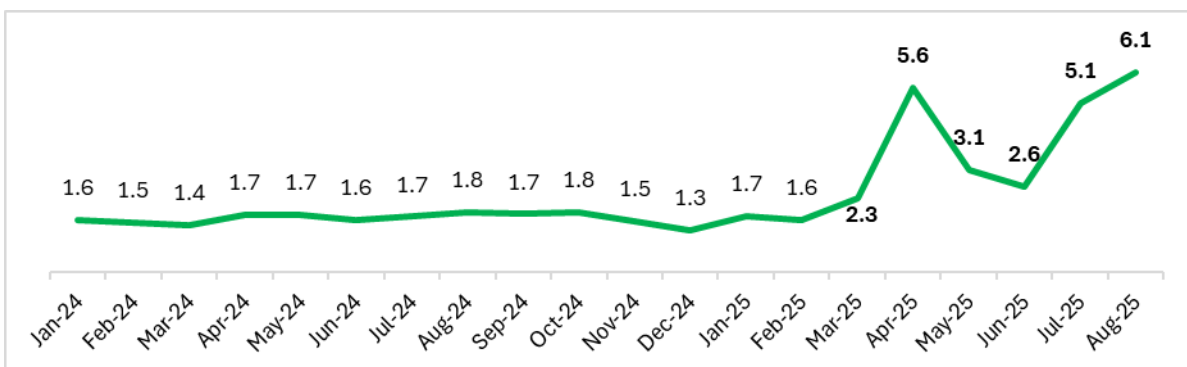


Chart 2-B – Loan Disbursements



Source: Central Bank of Brazil (BCB).

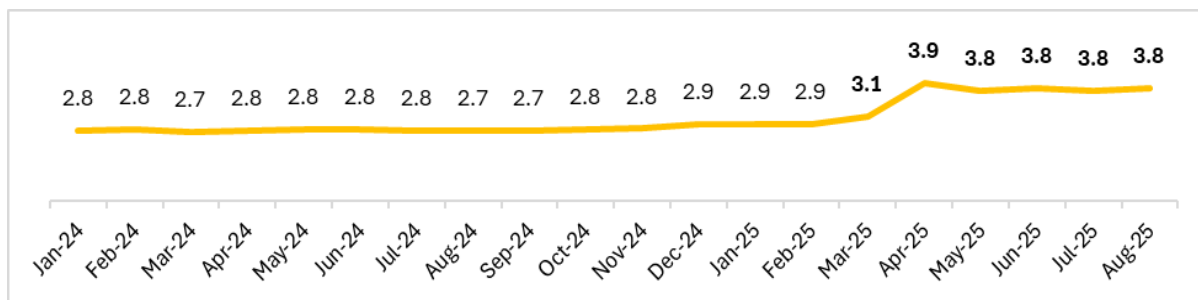
62. There was an observed increase in the average interest rates for private payroll-deducted credit after the program's launch, followed by relative stability between April and

²⁶ BCB. Relatório de Economia Bancária 2020 (Box “Evolução da Portabilidade de Crédito no Brasil: comportamento e perfil”). Available at: https://www.bcb.gov.br/content/publicacoes/Documents/reb/boxesreb2020/boxe_2_evolucao_p_ortabilidade_credito_brasil.pdf

August (Chart 3). This rise reflects a shift in borrower profiles. A study by the Central Bank of Brazil (BCB)²⁷ analyzing data from March to July 2025 found that new borrowers, those previously excluded from payroll credit, had a significantly lower average income than workers covered by pre-existing employer-bank agreements (BRL 2,603 vs. BRL 3,918 – USD 483 vs. USD 727). Furthermore, data from Dataprev indicate that 33% of the program’s borrowers are employees of micro, small, and medium-sized enterprises (MSMEs), compared to only 5% prior to the program, reflecting a higher-risk profile and consequently higher average interest rates.

63. Credit risk assessment in private payroll-deducted operations depends not only on workers’ repayment capacity but also on the financial stability of their employers. Before the Worker Credit Program, payroll loans were concentrated among large, stable companies with lower credit risk. The program’s expansion enhanced financial inclusion and credit democratization, but also altered the risk composition of new loans within this segment.

Figure 3. Average Monthly Interest Rates for Private Payroll-Deducted Loans (% per month)



Source: Central Bank of Brazil (BCB).

64. To promote sound conduct between financial institutions and their clients, and to curb predatory practices and over-indebtedness, the program incorporates elements of financial education, transparency, and responsible lending. The legislation strengthens financial education initiatives led by the Brazilian government, in partnership with financial institutions, to ensure free and accessible content for all workers. The goal is to foster more informed and financially aware consumers, enhancing workers’ autonomy and reducing vulnerability to abusive credit practices.

65. The platform increases market transparency by allowing direct comparison of credit offers and ranking them by interest rate. This mechanism stimulates competition for better lending conditions and supports more informed decision-making by reducing information asymmetries between institutions and borrowers.

66. In addition, the government is considering behavioral regulation tools (“nudges”) to improve consumer decisions. These would include alerts during the loan contracting process for credit operations priced significantly above the market average and suggestions to explore cheaper alternatives. This approach aims to create a “choice architecture” that encourages borrowers to reflect before contracting debt, promoting decisions more aligned with long-term financial well-being, without restricting freedom of choice or imposing coercive economic incentives.

²⁷ BCB - Relatório de Política Monetária September 2025 (Box “Novo crédito consignado privado”). Available at: <https://www.bcb.gov.br/publicacoes/rpm>

67. Until July 10, 2025, operations under the Worker Credit Program were required to prioritise the repayment of pre-existing payroll-deductible or unsecured loans contracted before the program, whenever those carried higher interest rates. Consequently, the program supported the refinancing of higher-cost debt: the average interest rate for private payroll-deducted loans (3.8% per month) was approximately 40% lower than that of unsecured credit (6.1% per month), according to August 2025 Central Bank of Brazil (BCB) data.

68. Replacing unsecured credit with payroll-deductible loans significantly reduces prudential risk exposure, given the lower probability of default. Payments are deducted directly from the borrower's salary, ensuring greater regularity and predictability of amortisation flows. The program also allows workers to use up to 35% of severance pay, 10% of their FGTS balance, and 100% of termination penalties as collateral, further reducing default risk and potentially lowering lending rates.

69. This approach is grounded in established economic theory,²⁸ which argues that the use of collateral mitigates information asymmetries – moral hazard and adverse selection – between financial institutions and borrowers. By improving credit risk assessment, it enables more favorable lending conditions, greater credit availability, and lower default-related costs.

70. Another important innovation introduced by the legislation is the automatic redirection of payroll deductions to new employment relationships. This mechanism ensures continuity of repayment even after worker's dismissal, enhancing the legal certainty of salary-based guarantees and reducing default risks.

71. The Brazilian experience with the Worker Credit Program demonstrates that it is possible to promote competition and financial stability simultaneously through an appropriate institutional design and well-calibrated regulatory incentives. The program fosters access and competition in credit market segments with the greatest potential to enhance overall economic welfare. By combining transparency, responsible conduct, competition, and prudence, it enables the entry of new market players without compromising systemic safety. These outcomes are reinforced by Brazil's robust prudential and supervisory framework, consistent with international standards.

72. Overall, there has been an increase in competition in a market where prudential concerns are mitigated by the inherently lower-risk nature of the operations, supported by automatic salary deductions and reinforced by additional collateral mechanisms.

3. Financial Market Infrastructures (FMIs) – Draft Bill No. 2,926/2023

73. Financial Market Infrastructures (FMIs) operate in complementarity with the prudential regulation exercised by the BCB, strengthening the stability and soundness of the financial system by ensuring the effective management of operational, credit, and liquidity risks, thereby mitigating systemic crises.

74. With the objective of enhancing and modernizing the regulatory framework applicable to institutions operating within the Brazilian Payment System (SPB), the

²⁸ STIGLITZ, J.E.; WEISS, A. (1981). Credit Rationing in Markets with Rationing Credit Information Imperfect. *The American Economic Review*, 71, p. 393-410. Available at: <https://pages.ucsd.edu/~aronatas/project/academic/Stiglitz%20credit.pdf>

Ministry of Finance submitted to the Federal Government Bill No. 2,926/2023, approved by the Chamber of Deputies and currently under review in the Federal Senate. The proposal consolidates and updates existing legislation, establishing a new regulatory framework for Financial Market Infrastructures in Brazil.

75. Aligned with the Principles for Financial Market Infrastructures (PFMI), the bill explicitly recognizes competition as a guiding principle of public policy for these infrastructures. It seeks to foster a more open, predictable, and contestable market environment, while preserving prudential integrity and systemic stability.

76. Under the guidelines of the National Monetary Council (CMN),²⁹ both BCB and the Securities and Exchange Commission (CVM) act as regulators of FMI,³⁰ within their respective mandates. This arrangement does not preclude the oversight role of the Brazilian Competition Policy System (SBDC),³¹ ensuring that competition enforcement remains fully integrated into the broader financial governance structure.

3.1. Balancing Competition and Financial Stability

77. Promoting competition in financial markets is constrained by structural market imperfections. As noted by Heremans and Paccès (1999)³², “financial markets are inherently imperfect, characterised by asymmetric information, agency problems, and moral hazard.”

78. The financial sector’s regulatory architecture has distinct features recognised by the Organisation for Economic Co-operation and Development (OECD). In particular, OECD Recommendation [OECD/LEGAL/0377](#)³³ emphasises the need for a dedicated prudential framework to safeguard the system against systemic risks and financial crises that could severely affect the economy and society at large.

79. The high degree of interdependence among entities within the Brazilian Payment System (SPB) underscores the need for structural regulation aimed at protecting institutions from systemic risk. As Yazbek (2007) observed, this interconnectedness is especially evident in payment systems, where operational or legal failures may cause delays, defaults, or liquidity shortfalls with systemic repercussions.³⁴

²⁹ The National Monetary Council (CMN) is the highest governing body of the Brazilian Financial System (SFN), responsible for formulating monetary and credit policy with the objective of ensuring currency stability and promoting the economic and social development of the country, in accordance with Article 2 of Law No. 4,595/1964.

³⁰ Regulatory authorities are tasked with aligning, whenever possible, Brazil’s regulatory framework with the recommendations of international standard-setting bodies, such as the Committee on Payments and Market Infrastructures of the Bank for International Settlements (CPMI/BIS) and the Technical Committee of the International Organization of Securities Commissions (TC/IOSCO).

³¹ As established by law, the Brazilian Competition Policy System comprises the Administrative Council for Economic Defense (CADE) and the Secretariat for Economic Reforms of the Ministry of Finance (SRE/MF).

³² HEREMANS, Dirk; PACCES, Alessio M. Regulation of banking and financial markets, 2011. Available in: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1914461.

³³ Available in: <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0377>

³⁴ YAZBEK, Otávio. Regulação do Mercado Financeiro e de Capitais. Rio de Janeiro: Elsevier, 2007.

80. Given the wide range of risks FMI face in their activities,³⁵ effective regulation and supervision are essential to ensure that their risk management practices do not undermine financial stability. Beyond internal interconnections, the financial system plays a pivotal role in the broader economy, mediating between savers and investors.

81. The interconnection among markets within Brazil's National Financial System (SFN) extends beyond its institutional boundaries. As a core feature of financial intermediation, the financial system inherently links the real economy with both domestic and international financial markets, strengthening the integration between financial and real sectors.

82. These interrelations become particularly evident during crises, when disruptions in monetary, financial, or credit systems influence macroeconomic variables. In such contexts, the failure of an FMI could trigger cascading effects throughout the financial system, adversely affecting the real economy and public welfare. Consequently, financial market regulation prioritises stability and systemic risk containment as primary policy objectives.

83. The draft bill embodies this principle by seeking to reconcile the reduction of systemic risk and the preservation of financial stability with the promotion of competition, provided that systemic integrity is not jeopardised.³⁶ The primacy of stability is reflected in the imposition of entry barriers³⁷ (e.g., authorisation, governance, and organisational requirements) and exit controls³⁸ (e.g., revocation procedures, recovery, and resolution regimes).

84. A key feature of the proposal is its strengthened approach to risk management and participant protection. It introduces stricter prudential requirements, asset segregation,³⁹ and stronger safeguards in the use of collateral, ensuring the irrevocable and unconditional settlement of obligations and mitigating systemic risks. The concept of "final settlement" enhances legal and operational certainty, while improved protection mechanisms and segregated guarantees increase financial system resilience.

85. In line with international best practices, the bill also introduces the concept of a guarantor entity to ensure the settlement of operations accepted by FMIs, thus mitigating counterparty risk⁴⁰. It further requires operators to prepare recovery plans, approved by their regulators, to restore institutional soundness and ensure continuity of critical financial infrastructure services.⁴¹

86. While reinforcing prudential safeguards designed to mitigate systemic risk and preserve financial stability, the proposal requires operator neutrality, prohibits undue advantages, and sets forth a regulatory principle ensuring that all financial market participants have broad and non-discriminatory access to FMIs. Any restrictions may only

³⁵ Riscos associados às IMF: risco de crédito, de custódia, de investimento, de liquidez, de mercado, geral de negócio, legal e operacional. Available in: https://www.bcb.gov.br/estabilidadefinanceira/normas_imfs.

³⁶ See Article 6, item I, and paragraph 2, item II, of Draft Bill No. 2,926/2023.

³⁷ See Article 10, items I and X, of Draft Bill No. 2,926/2023.

³⁸ See Article 7, item II, and Article 11, item VIII, of Draft Bill No. 2,926/2023.

³⁹ See Article 18 of Draft Bill No. 2,926/2023.

⁴⁰ See Article 17 of Draft Bill No. 2,926/2023.

⁴¹ See Chapter IX of Draft Bill No. 2,926/2023.

be imposed when necessary to manage risk and must be proportionate to the specific risk profile of each infrastructure.⁴²

87. A defining feature of FMIs is their tendency to benefit from economies of scale, which can create barriers to entry and enable the abuse of dominant positions. Such dynamics may result in suboptimal service quality, higher prices, and underinvestment in risk management systems. Acknowledging these challenges, the Draft Bill seeks to incorporate into Brazilian law Principle 18 of the *PFMI*, which advocates for fair and open access for market participants. Consequently, the proposal has the potential to foster competition and innovation, lower service costs, and reduce risk concentration, while strengthening the powers of regulatory and supervisory authorities to address competition issues—including those related to price-setting.

88. In this regard, the proposal introduces a significant legal innovation by elevating competition considerations to the same level of importance as prudential requirements, empowering financial supervisory authorities and strengthening the enforcement of law against anti-competitive practices.

89. Furthermore, the proposal explicitly links Central Bank regulation to the promotion of competition and transparency, with the aim of enhancing the safety and efficiency of both the SPB and the SFN. It grants the Central Bank authority to ensure fair access criteria, require interconnection among infrastructures, and regulate fees⁴³ when economically justified. These instruments are designed to lower entry barriers, curb anticompetitive practices, and strengthen overall market efficiency.

90. Such provisions are crucial to ensuring institutional robustness, accountability, and effective risk governance, while aligning FMIs with the public interest and maintaining participant trust. By demanding higher standards of governance and operational capacity, the bill fosters stability, predictability, and integrity in the financial system, creating a safer and more transparent environment for both new entrants and incumbents.

91. The reform is expected to strengthen legal certainty and reduce operational complexity, increasing efficiency and lowering intermediation costs. It may also enhance investor confidence – domestic and foreign – and improve the attractiveness of the Brazilian market, boosting transaction volumes and deepening financial inclusion.

92. Consistent with international principles, the regulation proposed under Draft Bill No. 2,926/2023, coupled with ongoing technological innovations across financial and payment sectors, is likely to increase demand for FMI services. By fostering competition, the proposal should reduce intermediation costs, expand credit access (particularly for micro and small enterprises), stimulate innovation, and strengthen confidence in the financial system—ultimately contributing to sustainable market development.

93. The guiding principles of neutrality, transparency, and non-discriminatory access are essential to prevent market abuse, lower entry barriers, and promote innovation. Moreover, the bill clarifies that financial regulators' and supervisors' responsibilities coexist with those of Brazil's competition authorities, preventing institutional overlap and ensuring effective coordination in promoting and safeguarding competition.

94. From a prudential standpoint, the bill strengthens risk management practices for institutions operating FMIs. It enhances the protection of collateral, mandates the segregation of operators' assets within the infrastructure, introduces the figure of a

⁴² See Article 32 of Draft Bill No. 2,926/2023.

⁴³ See Articles. 6° and 7° of Draft Bill No. 2,926/2023.

guarantor to ensure the settlement of transactions, and requires operating institutions to prepare a recovery plan subject to approval by the regulatory authority.

4. Payment of Social Security Benefits (INSS)

95. In addition to advancing capital market development and supporting the design and implementation of microeconomic and regulatory reforms, SRE also engages in more traditional forms of competition advocacy within the banking sector, particularly through market studies that evaluate the competitive implications of regulatory measures.

96. The SRE is currently assessing the potential anticompetitive effects arising from the prohibition on non-bank and digital-only financial institutions participating in tenders conducted by the National Social Security Institute (INSS) for the selection of institutions responsible for paying social security benefits.

97. The study examines legal and regulatory provisions within the social security framework that may impose anticompetitive restrictions, creating barriers to participation by non-bank institutions and fintechs. It also considers secondary impacts, such as restrictions on the subsequent portability of benefits to these entities.

98. The issue was brought to the SRE attention through the Regulatory and Competition Assessment Procedure (PARC), an innovative competition-advocacy mechanism that allows market participants and other stakeholders to submit potentially anticompetitive regulations for review. The SRE's analytical methodology follows the *OECD Competition Assessment Toolkit* checklist, designed to identify competition-restricting features in laws and regulations.⁴⁴

99. The case was formally submitted by an association representing financial technology sector and payment companies, which reported potential competitive restrictions in the 2024 INSS selection process for benefit-paying institutions. The association argued that excluding such entities hinders competition and is misaligned with the current financial and payments landscape. This restriction, they claimed, harms the public interest, prevents the provision of more efficient services at competitive prices, and limits the options available to beneficiaries.

100. In contrast, the INSS justified the restriction as a prudential safeguard to protect beneficiaries. Considering their demographic profile, including limited digital literacy and inadequate internet infrastructure in many regions, the requirement that only established financial institutions with physical service networks may participate was framed as a measure to protect vulnerable populations.

101. This section presents the preliminary findings of the study, which illustrates the complex interface between competition and prudential regulation in the design of the INSS benefit-payment model in Brazil.

4.1. Competitive and Regulatory Issues

102. Brazil's Social Security System is a cornerstone of its social policy framework, designed to provide beneficiaries with income protection against old age, disability, involuntary unemployment, imprisonment, and death. The General Social Security Regime

⁴⁴ For additional information about PARC initiative, please visit: [https://one.oecd.org/document/DAF/COMP/WD\(2025\)28/en/pdf](https://one.oecd.org/document/DAF/COMP/WD(2025)28/en/pdf)

(RGPS) covers approximately 60.7 million contributors. In 2024, the INSS issued 40.4 million benefits, transferring over BRL 77 billion per month.⁴⁵

103. Given the social and financial significance of these frequent payments, the regulatory framework of this whole ecosystem must provide safety and prudent conditions in order to ensure timely, secure benefit delivery.

104. The SRE accepted the case for deeper examination into PARC initiative due to its public relevance, the potential anticompetitive effects, such as reduced bidder participation, and the implications for beneficiaries' choice. To gather multiple perspectives on the issue and ensure a comprehensive assessment, the SRE held meetings and requested information from the INSS, banking associations, traditional and digital financial institutions, as well as public bodies dealing with similar matters, such as the one responsible for managing the federal government's payroll system.

105. The ongoing analysis focuses on three aspects: (i) the tender process for selecting benefit-payment institutions, (ii) eligibility of participating entities, and (iii) restrictions on benefit portability.

4.1.1. Tender Design

106. The INSS selects paying institutions through a competitive bidding process (*pregão*), based on the highest bid per benefit paid. The winning bidder is granted the right to manage benefit payments for the first five years of the contract and operate the accounts for up to 20 years, within defined geographic regions.

107. The introduction of competition in 2009 replaced the previous model, under which the INSS paid banks and the state postal company (ECT) for these services. Following a 2008 determination by the Federal Court of Accounts (TCU), the tender mechanism reduced public spending, estimated at BRL 250 million annually before 2010, and reversed the flow of funds: financial institutions began paying the INSS for the right to operate benefit payments. In 2024, the INSS projected around 469.000 new monthly benefits,⁴⁶ generating roughly BRL 6 billion in annual revenue to the Treasury.

108. These outcomes demonstrate that competition improved efficiency, reduced costs, and diversified service provision. In light of technological advances in the financial sector, further expanding participation to include non-bank and digital-only financial institutions could enhance competition and fiscal returns.

4.1.2. Eligible Participants

109. Current rules restrict participation to licensed banks with physical branches. An INSS administrative regulation expressly prohibits participation by digital-only or non-bank financial institutions, including payment institutions authorized to manage deposit or payment accounts.

110. Consequently, the tender process excluded digital-only institutions and other types of entities authorized to manage deposit and/or payment accounts, such as non-bank

⁴⁵ "Previdência Social: Desafios e avanços do sistema previdenciário brasileiro no biênio 2023-2024". Available in: <https://www.gov.br/previdencia/pt-br/assuntos/publicacoes/previdencia-social-desafios-e-avancos-do-sistema-previdenciario-brasileiro-no-bienio-2023-2024/bienio-2023-2024-versao-web.pdf>.

⁴⁶ 44% permanent benefits and 56% temporary benefits.

financial institutions and payment institutions. This restriction limits the pool of potential competitors in INSS procurement processes.

111. While the regulator justifies this restriction as a measure to protect vulnerable beneficiaries, given limited internet access, low digital literacy, and the preference for in-person assistance, it may inadvertently exclude innovative institutions capable of promoting financial inclusion. Digital banks and fintechs, with leaner cost structures and remote service capabilities, could offer lower fees and reach underserved or remote communities.⁴⁷ These factors warrant consideration in defining a more efficient and inclusive contracting model.

4.1.3. Benefit Portability

112. Under current rules, benefit portability is allowed after the second payment and solely among institutions previously authorized through the INSS tender. This restriction limits beneficiaries' ability to switch providers.

113. In financial markets, portability allows consumers to move accounts, loans, and payroll deposits across institutions at no cost, often obtaining better contractual terms. By lowering exit barriers and switching costs, it intensifies competition and incentivizes institutions to compete more actively for customer loyalty. These dynamics foster higher-quality products, services, rates, and customer care, contributing to a more efficient, competitive, and consumer-oriented market.

114. The SRE's ongoing analysis seeks to determine whether procedural or regulatory adjustments could enhance competition in the benefit-payment market without compromising prudential safeguards or beneficiaries' protection.

5. Insurance Cooperatives and Mutual Protection Schemes: Complementary Law No. 213, of 15 January 2025

115. The insurance sector plays a pivotal role in the Brazilian economy, representing 3.7% of GDP in 2024. According to the Superintendence of Private Insurance (Susep), the sector's supervisor and regulatory authority, the insurance market collected BRL 435.56 billion in 2024⁴⁸ and returned BRL 241.42 billion⁴⁹ to society through claims, redemptions, withdraws and raffle prizes during the same period.

116. Insurance contributes significantly to risk mitigation and market resilience, particularly for lower-income groups. Events such as accidents or property losses – which can cause severe financial instability – can be more easily overcome through appropriate coverage. This enables faster reintegration into the labor market, for example, among ride-hailing drivers or independent truck operators.

⁴⁷ MSWELI, N. T.; MAWELA, T. Financial inclusion of the elderly: Exploring the role of mobile banking adoption. *Acta Informatica Pragensia*, v. 10, n. 1, p. 1–21, 2021. DOI: 10.18267/j.aip.143.

⁴⁸ Data sourced from the website: <https://www.gov.br/susep/pt-br/central-de-conteudos/noticias/2025/fevereiro/setor-de-seguros-cresce-mais-de-12-em-2024-e-consolidatrajectoria-de-expansao>. Accessed on October 13, 2025.

⁴⁹ Data sourced from the website: <https://www.gov.br/susep/pt-br/central-de-conteudos/noticias/2025/fevereiro/setor-de-seguros-cresce-mais-de-12-em-2024-e-consolidatrajectoria-de-expansao>. Accessed on October 13, 2025.

117. As in other countries, Brazil faces a substantial insurance protection gap. For example, data from the National Confederation of Insurers (CNseg) indicate that only about 30% of the national vehicle fleet is insured, underscoring the vast unmet demand for coverage⁵⁰.

5.1. The Role of Cooperatives and Mutuals in the Insurance Market

118. Prior to the enactment of the Complementary Law, cooperatives were authorized to operate only in agricultural, health, and occupational accident insurance. They are now permitted to operate in any line of private insurance, except those that require the establishment of mathematical reserves or those explicitly restricted by regulation.

119. In response to the coverage gap, various entities emerged to fill needs unmet by traditional insurers – particularly in the vehicle protection segment. However, these entities operated outside the regulatory and supervisory framework, exempt from prudential and conduct standards that are essential for such activities, thereby exposing consumers to significant risk.

120. Unlike for-profit insurers, these organizations are member-based rather than capital-based entities. Their non-profit orientation shapes governance, business models, and risk management approaches, prioritizing members’ interests over shareholder returns.

121. The participation of mutual and cooperative insurers has grown faster than that of traditional insurers. According to the “EY Global Mutual Insurance Market Scan 2024”,⁵¹ published by the International Cooperative and Mutual Insurance Federation (ICMIF), these entities represented 26.3% of the global insurance market in 2022, with premium volumes of USD 1.41 trillion. In 2023, premium growth averaged 14%, compared to 9% for conventional insurers, demonstrating the sector’s growth potential as it enters Brazil’s regulated market.

122. A separate EY study estimates that vehicle protection associations in Brazil handle BRL 7.1 to 9.4 billion annually,⁵² outside supervisory oversight and without meeting minimum solvency standards. This situation exposed consumers to the risk of losing coverage in the event of insured losses.

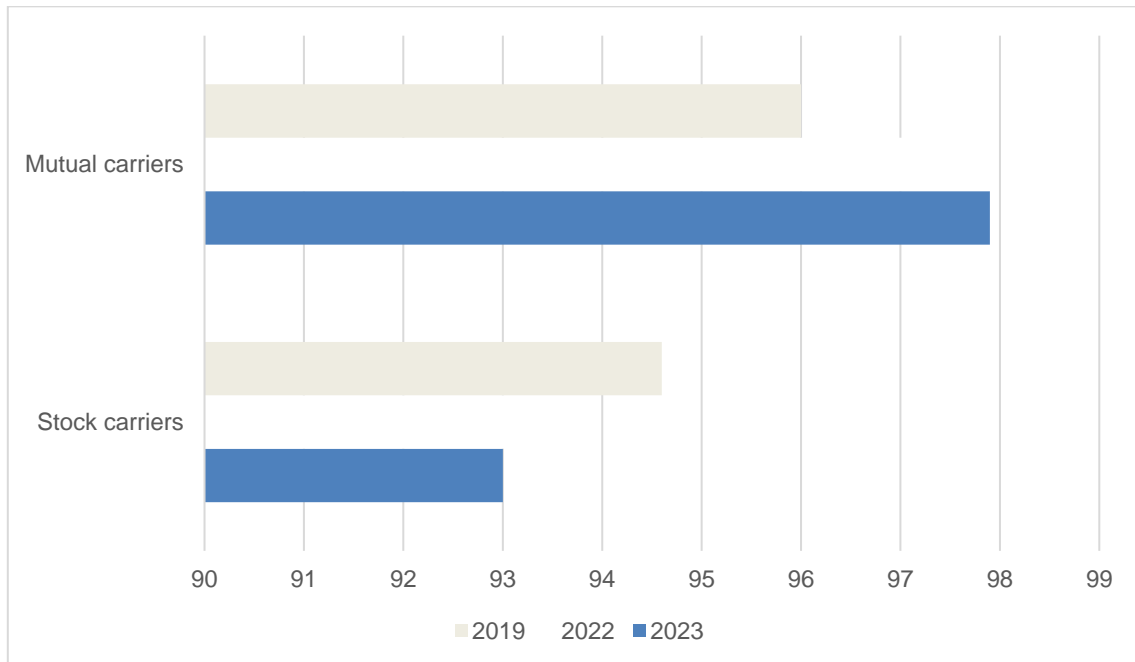
123. The “EY Global Mutual Insurance Market Scan 2024” further indicates that the combined ratios of cooperatives and mutuals in 2022–2023 were, on average, five percentage points higher than those of traditional insurers globally. As highlighted in the report, such entities must balance member support in times of need with maintaining profitable portfolios that ensure long-term financial stability for all stakeholders.

⁵⁰ Data sourced from the website: <https://cnseg.org.br/noticias/reguladores-destacam-desafios-e-oportunidades-para-o-setor-segurador-em-2025>. Accessed on October 7, 2025.

⁵¹ Available at: <https://www.icmif.org/ey-global-mutual-insurance-market-scan-2024/>. Accessed on October 2, 2025.

⁵² Available at: <https://www.fenacor.org.br/noticias/mercado-que-atua-a-margem-da-lei-ja-fatua-r>. Accessed on October 2, 2025.

Figure 4. Combined Ratio



Source: “EY Global Mutual Insurance Market Scan 2024”

5.2. Complementary Law No. 213/2025: expanding competition while preserving financial stability

124. The Ministry of Finance, in its advocacy role through SRE, coordinated with Susep to develop a new regulatory framework for the insurance sector. The objective was to foster a more balanced and inclusive regulatory environment, while maintaining robust prudential oversight.

125. The central question was how to integrate these entities into the regulated market – expanding competition while ensuring minimum standards of solvency, governance, and transparency. Complementary Law No. 213/2025 establishes the criteria for creating and operating insurance cooperatives and mutual protection schemes.

126. This initiative is expected to significantly expand Brazil’s insurance market, broadening the scope of cooperative operations beyond existing segments. The law also regulates mutual structures, which had been conducted informally by unregulated entities, such as vehicle protection associations.

127. To formalize these activities and enhance beneficiary protection, the law requires that associations offering mutual protection schemes engage specialized management companies (joint-stock corporations) dedicated exclusively to administering these operations. These administrators – now subject to state regulation and supervision – will manage the mutual funds and ensure compliance with prudential standards.

128. The law also includes transitional mechanisms that allow existing associations to regularize their operations. New entrants are now subject to regulation by the National Council of Private Insurance (CNSP) and to authorization and ongoing supervision by Susep, ensuring consistency with the standards applied to the broader insurance market.

129. By enabling new entities to enter and serve previously underserved segments, the reform fosters greater competition, expanded access, and lower prices, while diversifying insurance products available to consumers.

130. However, applying uniform capital and governance requirements may hinder the participation of smaller, less complex entities with distinct business models. To prevent regulatory barriers, the legislation explicitly and, for the first time in the Brazilian legal framework, establishes proportionality as a fundamental criterion for the authorization and operation of these entities. Supervision must therefore be “proportional to the size, nature, risk profile, and systemic relevance” of each institution, and solvency and liquidity requirements should be “compatible with and proportional to the risks of the operations”.

131. This approach aligns with the Insurance Core Principles (ICP) of the International Association of Insurance Supervisors (IAIS), particularly ICP 17⁵³ on solvency requirements. It recognizes that acceptable solvency levels vary according to business type and that a certain level of insolvencies may be unavoidable, and setting an acceptable threshold for such cases may facilitate a more competitive market and avoid inappropriate barriers to market entry.

132. To facilitate adaptation, the law granted a six-month transition period for existing associations to update their bylaws and register with Susep. By the end of this first phase, 2,217 associations had applied for registration⁵⁴, signaling both the size of the market and its potential for expanding consumer protection.

133. The second phase, currently underway, focuses on secondary regulation – defining criteria and obligations for authorizing cooperatives and administrators of mutual protection schemes, and establishing both conduct and prudential requirements. In this context, the challenge of finding the optimal balance between fostering competition and protecting policyholders becomes even more complex, as the regulated environment begins to incorporate institutions with new organizational cultures, innovative business models, and, in many cases, consumer profiles that differ from those typically served by traditional insurers. The ideal outcome is to capture the benefits of innovation – such as greater access, transparency, and product suitability – while avoiding risks associated with regulatory arbitrage, inappropriate conduct, and excessively aggressive risk-taking profiles.

134. This process has involved extensive public consultations throughout 2025, inviting contributions from experts, industry participants, and civil society. The first consultation⁵⁵ addressed the general framework for mutual protection schemes, while the second⁵⁶ covers the governance and operational rules for insurance cooperatives, including cooperative governance, members’ equity, bylaws, and participation structures. General insurance regulations will also apply subsidiarily to cooperatives unless otherwise specified.

⁵³ Available at: <https://www.iais.org/icp-online-tool/#>

⁵⁴ Data sourced from the website: <https://www.gov.br/susep/pt-br/central-de-conteudos/noticias/2025/julho/encerrado-o-prazo-para-cadastramento-de-associacoes-de-protecao-patrimonial-mutualista>. Accessed on October 13, 2025.

⁵⁵ Public Consultation n° 02/2025/Susep. Available at <https://www.in.gov.br/en/web/dou/-/edital-de-consulta-publica-n-2/2025/susep-648774410> Accessed on October 16, 2025.

⁵⁶ Public Consultation n° 07/2025/Susep. Available at https://www.in.gov.br/en/web/dou/-/edital-de-consulta-publica-n-5/2025/susep-*-656592462 Accessed on October 16, 2025.

135. The third phase will involve the final registration process for entities authorized by Susep, following full compliance with legal and regulatory requirements.

136. Once the framework is fully implemented, the reform is expected to deliver several key outcomes: a) integration of insurance cooperatives and mutual protection schemes into the regulated market; b) increased insurance and protection coverage, particularly for low-income populations; c) expansion of coverage in underserved regions; d) enhanced competition without compromising sector stability; and e) strengthened domestic savings through the accumulation of technical provisions in the domestic market.

6. Final Considerations

137. This paper has outlined key policy initiatives led by the Secretariat for Economic Reforms (SRE) that have contributed to improving financial regulation, promoting competition, and enhancing economic efficiency. These reforms aim to foster a more dynamic and inclusive financial system, combining market efficiency, social equity, and financial stability.

138. The initiatives analyzed – including the Worker Credit Programme, the Financial Market Infrastructure Law, the eligibility framework for institutions paying social security benefits, and the new regulatory regime for insurance cooperatives and mutual asset protection operations – illustrate Brazil's effort to reconcile competition and systemic resilience. Each initiative was developed with careful attention to sector-specific risks, embedding supervisory mechanisms, sound governance, proportional regulation, and incentives for innovation.

139. By expanding access to credit, modernizing payment infrastructures, and integrating new types of entities into the financial and insurance sectors, these initiatives demonstrate how public policy can deliver tangible social and economic benefits.

140. In doing so, the SRE reaffirms its strategic role in shaping measures that align market efficiency, social inclusion, and economic security, thereby strengthening the national financial system and promoting sustainable economic development.